3 Dividend-Growth Stocks to Light Up Your TFSA Income Portfolio

Description

Canadian investors are searching for quality dividend stocks to provide reliable and growing income.

Let's take a look at three utility companies that might be of interest today.

Hydro One (TSX:H)

Hydro One has been in turmoil over the past month after the CEO and board of directors resigned in the wake of the Ontario election. A new board is now in place, and the interim CEO is working hard to keep the business moving along its strategic path.

Hydro One is in the process of acquiring Washington-based Avista Corp., which owns electricity and natural gas distribution assets in several states. The $6.7 billion deal has received approvals from several states and regulatory authorities, but the upheaval in Hydro One's management ranks has delayed decisions in Washington, Idaho, and Oregon.

The stock is still trading near its all-time lows, despite the announcement of the new board, suggesting the market is waiting to see how things unfold with the Avista deal. This might turn out to be a great buying opportunity over the long run.

The Avista purchase will likely go through, and investors could see Hydro One make additional strategic acquisitions in the coming years.

On the dividend side, Hydro One raised the distribution by 5% in May. The current payout provides a yield of 4.8%.

Fortis (TSX:FTS)(NYSE:FTS)

Fortis owns power generation, natural gas distribution, and electric transmission assets worth $50 billion, with businesses located in Canada, the United States, and the Caribbean. The company gets the majority of its revenue from regulated assets, which is important for income investors who rely on steady and predictable payouts.

Fortis made two large acquisitions in the United States in the past two years and is working on a $15.1 billion capital program that should boost the rate base by an average annual rate of more than 5% over five years. Management has also identified organic development opportunities in a number of the businesses.

As a result, dividend growth is expected to be about 6% per year through 2022.

The stock has pulled back from $48 last fall to about $43, giving investors a chance to pick up Fortis for a reasonable price. At the time of writing, the dividend provides a yield of 4%.

Northland Power (TSX:NPI)

Northland Power has wind, solar, and thermal projects in Canada, the Netherlands, and Germany. The company is also a partner on a major off-shore wind farm development in Taiwan.

Adjusted EBITDA increased 9% and net income rose 12% for Q2 2018 compared to the same period last year, supported by a 5% increase in sales.

As new projects come online, revenue and cash flow available for distributions should increase. Northland currently pays a monthly dividend of $0.10 per share for an annualized yield of 5.3%.

The stock has pulled back from the 2018 high of $25 to around $22.50 per share, providing investors with a nice entry point.

The bottom line

Hydro One, Fortis, and Northland Power pay attractive dividends that should continue to grow at a steady rate. The stocks are down to the point where the pullbacks might be overdone.

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2. TSX:FTS (Fortis Inc.)
3. TSX:H (Hydro One Limited)
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Date
2025/08/20
Date Created
2018/08/16
Author
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